

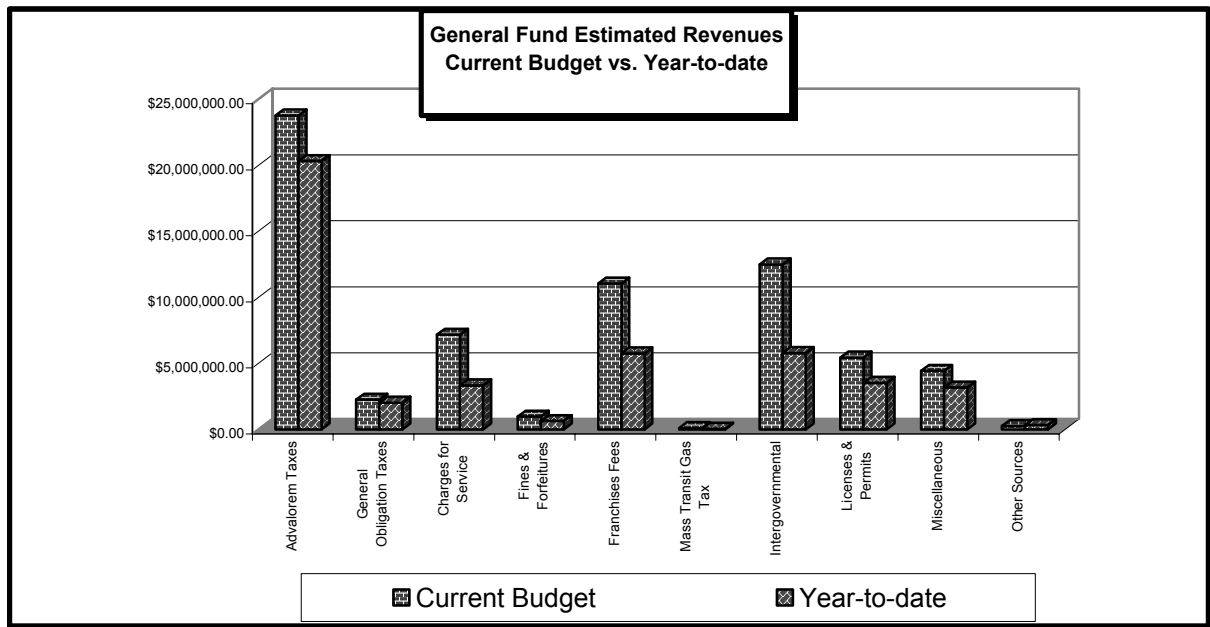


**Fiscal Year 2004
Six Month Review
Of
Estimated Revenues and
Appropriations**

In the first quarter report, we identified the various operating and non-operating funds of the Town. In that brief overview, we saw that about seventy-five (75%) percent of the Town's resources are associated with the General Fund of the Town. Operating funds differ from non-operating funds, in that; operating funds generate most current revenue from sources outside of the Town. Non-operating funds generate their resources, almost entirely, from internal or other funds within the Town. For instance, the Vehicle Maintenance Fund gets its resources from charging the operating departments within the operating funds a fee to maintain a particular department vehicle. In this light, you can understand the General Fund is significantly larger than the seventy-five (75%) percent, and actually approaches eighty-five (85%) percent of all current resources the Town receipts annually. As a result of the size of this fund, this report will be to provide a review and analysis of the revenue and expenditures that affect the General Fund.

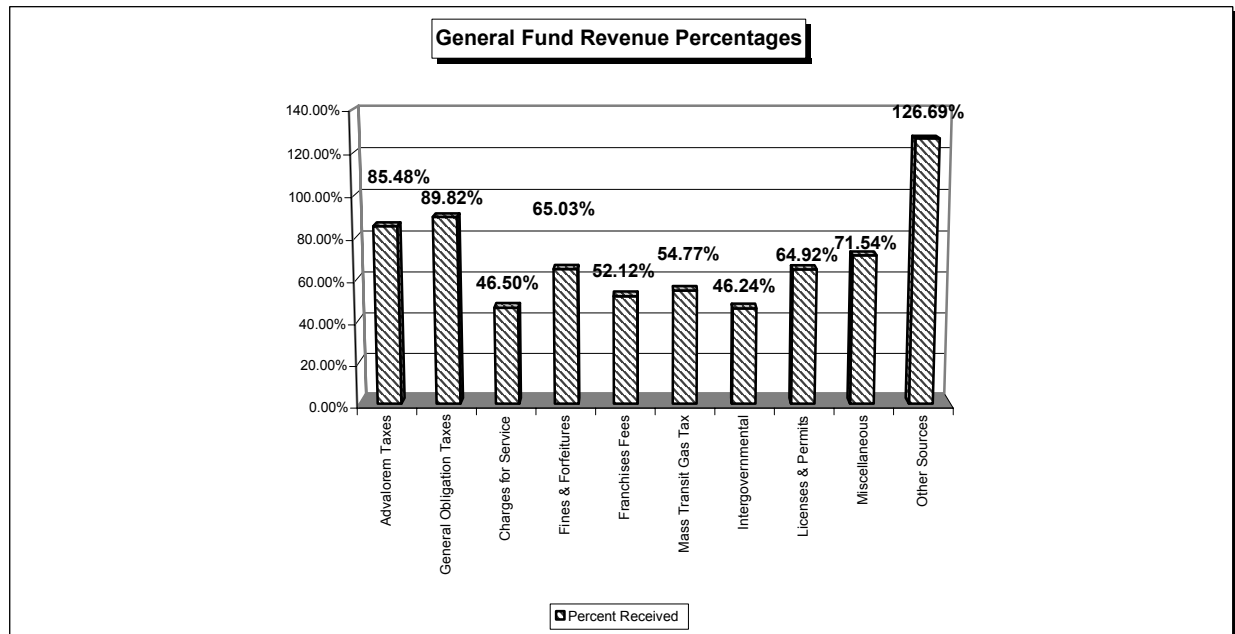
**General Fund
Estimated Revenues**

Total estimated revenue for this fund is \$67,926,726. The following graph presents a summary of General Fund revenues by category for the period ending March 31, 2004, the estimated revenue and amount collected.



It is relatively easy to see and understand that it appears the ten categories of revenue exceed or meet the estimate for this portion of the year.

The graph below depicts the percent collected in the revenue categories.



Of the ten categories above represented, eight meet or exceed collections for the first half of the year. Only two categories are not meeting revenue collection

expectations, Charges for Service and Intergovernmental revenues, which will be discussed in further detail.

It may be helpful at this point to present the information shown above in the following table. It presents a summary of General Fund revenues by category, the estimated revenue, the year-to-date amount, percent received to date and the percent the category is of the total estimated revenue, for the period ending March 31, 2004.

Category	Estimated Revenue	Year-to-date Received	Percent Received	Percent Of Total Revenue
Advalorem Taxes	\$23,772,414.00	\$20,319,518.26	85.5%	35.00%
General Obligation Taxes	\$2,254,849.00	\$2,025,268.18	89.8%	3.3%
Charges for Service	\$7,176,701.00	\$3,337,180.72	46.5%	10.6%
Fines & Forfeitures	\$973,800.00	\$633,308.86	65.0%	1.4%
Franchises Fees	\$11,043,000.00	\$5,755,353.97	52.1%	16.3%
Mass Transit Gas Tax	\$89,180.00	\$48,839.44	54.8%	0.1%
Intergovernmental	\$12,492,390.00	\$5,776,961.26	46.2%	18.4%
Licenses & Permits	\$5,436,790.00	\$3,529,616.92	64.9%	8.0%
Miscellaneous	\$4,437,602.00	\$3,174,599.73	71.5%	6.5%
Other Sources	\$250,000.00	\$316,732.75	126.7%	0.4%
Total Estimated Revenue	\$67,926,726.00	\$44,917,380.09		100.0%

Ad Valorem Taxes are responsible for 35% of the total revenue and we have received in excess of eighty-five (85%) percent, which is the historical trend for this category. Other significant revenue streams that follow Taxes are Intergovernmental (18.4%), Franchise Fees (16.3%), Charges for Service (10.6%), and Licenses and Permits (8%). These five categories are responsible for more than 88% of total revenues in the General Fund. As you can understand from the table above, of the ten categories that compose General Fund revenues, only two are slightly behind anticipated collections for the six months, Charges for Service and Intergovernmental.

Charges for Service is comprised of revenues generated by individuals who use various services provided by the Town. This category uses ninety accounts to record the various revenues of the Town with an estimated revenue collection of \$7,176,701. Of the ninety accounts, fifteen revenue streams are responsible for more the 82% of the expected revenue. About 47% or 7 of these fifteen revenues are below anticipated projections; however, two will catch up within the next month. Unfortunately, it does not appear the other five will meet our goals. The five revenue accounts are: administrative fee, police services/Nova contract, ems (emergency medical service) transport, fire protection

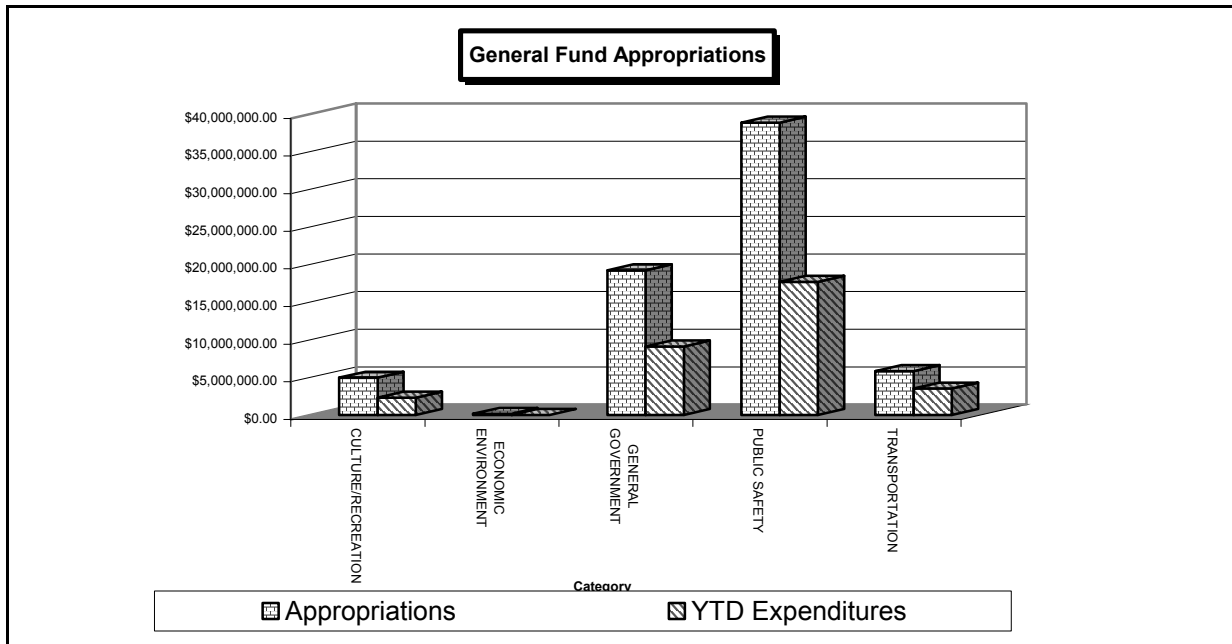
services, and annual fire inspections. The administrative fee \$229,775 was eliminated due to the cancellation of the storm water revenue fund. The police services contract with Nova Southeastern University was over estimated by \$61,000. Emergency medical service is currently lagging about \$146,000 for the period, which could be partially caused by the amount of time to process and collect claims. The fire protection services fee in the amount of \$165,165 is used to record amounts received by the Town for handling cases on the major traffic thoroughfares in and surrounding the Town. Legislation enabling the Town to charge this fee may be enacted; however, not in time to affect this current budget. Annual Fire Inspections fee has not met expectations and may be reduced by about \$166,000. Staff is investigating the issue and hopes to have a definitive answer before the next report date. Despite the fact these revenues provide only about 26% of the total for this category, they will negatively impact this category by about 8.7% or almost \$622,500 for the year.

Intergovernmental revenues are composed of shared revenue streams from the federal government, State of Florida, Broward County or other governmental entities. More than 94% or \$12,492,390 of this category is provided by four distinct shared revenues, State revenue sharing (14.4%), Half cent sales tax (37%), 4 cent local option gas tax (11.2%), and the Communications services tax (32.1%). These revenue streams are behind anticipated collections about \$263,000. The Communications services tax annual estimate, as provided by the State, is \$4,008,616 and is currently slightly more than \$114,000 down from expected collections. The State Revenue Sharing is down more than \$144,000 from the annual estimate of \$1,794,528. For the first six months of the year, these two items are coming in at a rate of about 4% less than anticipated. If the current trend continues, we can expect almost a \$500,000 shortfall. However, this revenue loss is somewhat buffered by the fact that half cent sales tax is ahead of its estimate by about 2% or roughly \$113,000 for the year at the current rate. As a result, we may see almost a \$387,000 reduction in this category. Of course, changes in the funding formulas used by the State and County can alter the projections either positively or negatively.

Although the impact of either the Charges for Service or Intergovernmental categories are not catastrophic for the General Fund revenue, this analysis estimates that revenues will be less by almost 1.5% or \$1,009,491. Attached hereto for your perusal is a detailed report of revenue (Exhibit A).

Appropriations

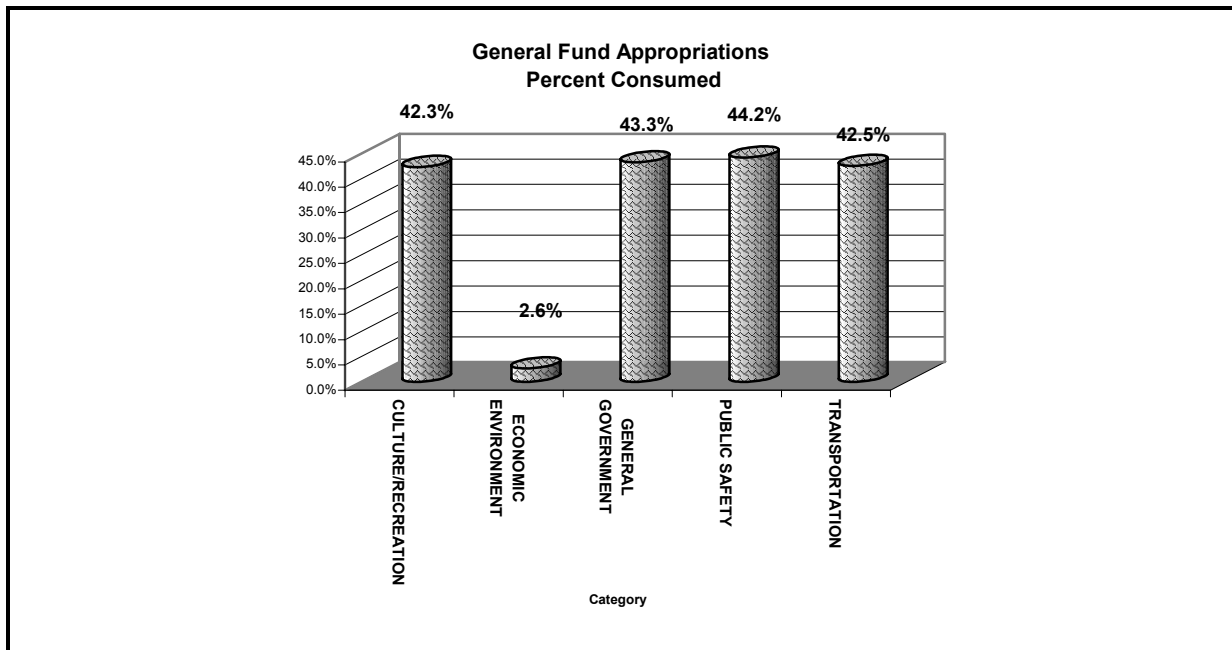
Revenues generated by the General Fund are used for various governmental activities. As you may recall from the first quarterly report, revenues and other resources are consumed in five fundamental categories, public safety, general government, transportation, culture and recreation, and the economic environment.



The graph above depicts the current appropriations and year-to-date expenditures for the major categories within the General Fund. It is quite apparent that Public Safety and General Government are both well below the Town's current appropriations. The remaining categories appear to be within their respective appropriations for this portion of the fiscal year as well.

More explicitly, the graph below reflects the categories and the percent consumed for the first half of the year. As we can see, none of the categories have reached the 50% mark. In fact, the categories are 7.7%, 47.7%, 6.7%, 5.8%, and 7.5% behind the anticipated costs for this portion of the year or costs have been held down about \$4.4 million. Of course, this analysis does not take into account any seasonal variation in the expenditures and the Town will experience, over the last half of the year, expenditures rapidly moving up as the Town hires seasonal and other part-time employees for the various departments. Further, the transportation category will experience upward

expenditure pressure as this category must absorb about \$290,000 of additional expenses related to the storm water fund elimination.

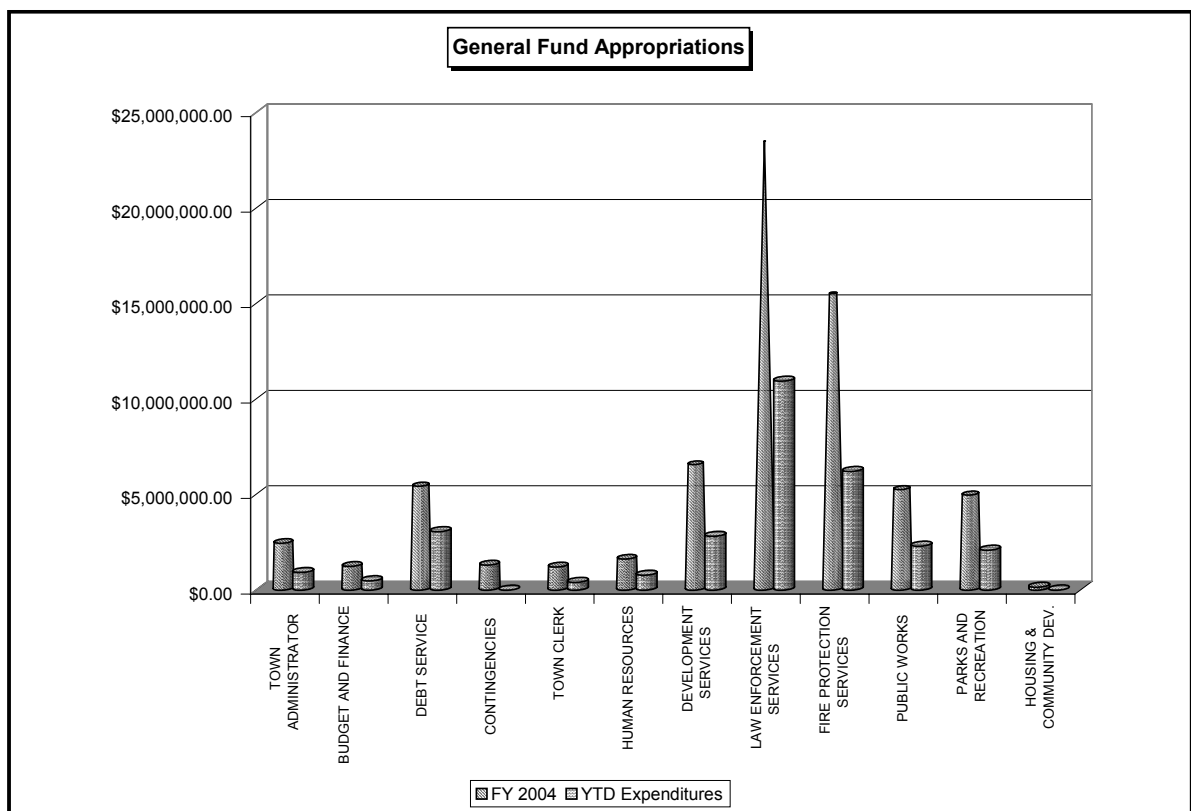


In fact, at the current rate, expenditures should remain below appropriations. General Government has consumed about 43% of its budget, Public Safety has used about 44%, Culture/recreation has expended 42%, Transportation 42% and Economic Environment about 3%. The following table reflects the functions and the percent they have consumed through March 31, 2004.

Category	Appropriations	Total Expenditures	Percent Received	Percent of Total Appropriations
CULTURE/RECREATION	\$4,951,201.00	\$2,095,527.17	42.3%	7.2%
ECONOMIC ENVIRONMENT	\$149,119.00	\$3,938.94	2.6%	0.2%
GENERAL GOVERNMENT	\$19,200,459.00	\$8,304,721.81	43.3%	27.8%
PUBLIC SAFETY	\$38,834,093.00	\$17,158,655.11	44.2%	56.3%
TRANSPORTATION	\$5,816,055.00	\$2,474,345.59	42.5%	8.4%
Total Appropriations	\$68,950,927.00	\$30,037,188.62		100.0%

As we can understand from the previous table, the majority of appropriations are provided for public safety at about 56%. General government consumes another 28%, with transportation (8.4%) and culture/recreation (7.2%) constituting the balance of the General Fund appropriations.

Although we have discussed the appropriations of the Town's General Fund in broad categories, it would also be helpful to delineate those departments that constitute the five categories we have thus far discussed. The five categories are composed of twelve separate cost centers. The following graph reflects the cost center, the appropriation, and year-to-date expenditure of the departmental appropriation.



A cursory review of the graph indicates that most cost centers are well within their current budget appropriation.

The table that follows reflects the title of the cost center, the appropriation, year-to-date expenditure, percent expended for the year, and the percent the cost center is of the total General Fund budget appropriation. A quick review of the table shows us that all the departments within the General Fund are below expectations for the 50% of the year already consumed, except the Debt Service appropriation which stands at 56.5%. This aberration in expenditure occurs due to the nature of the Town's debt service payments. Payments of principal and interest vary, with some principal payments made

monthly or quarterly with interest and some without interest payments. This results in uneven expenditure of funds in this department.

Category	Appropriations	Total Expenditures	Percent Expended	Percent of Total Appropriations
TOWN ADMINISTRATOR	\$2,447,145.00	\$927,052.36	37.9%	3.5%
BUDGET AND FINANCE	\$1,236,850.00	\$488,922.00	39.5%	1.8%
DEBT SERVICE	\$5,418,316.00	\$3,060,148.00	56.5%	7.9%
CONTINGENCIES	\$1,308,398.00	\$0.00	0.0%	1.9%
TOWN CLERK	\$1,206,887.00	\$404,893.53	33.5%	1.8%
HUMAN RESOURCES	\$1,619,215.00	\$776,468.00	48.0%	2.3%
DEVELOPMENT SERVICES	\$6,544,289.00	\$2,816,873.32	43.0%	9.5%
LAW ENFORCEMENT SERVICES	\$23,391,001.00	\$10,941,317.44	46.8%	33.9%
FIRE PROTECTION SERVICES	\$15,443,092.00	\$6,217,337.67	40.3%	22.4%
PUBLIC WORKS	\$5,235,414.00	\$2,304,710.18	44.0%	7.6%
PARKS AND RECREATION	\$4,951,201.00	\$2,095,527.17	42.3%	7.2%
HOUSING & COMMUNITY DEV.	\$149,119.00	\$3,938.94	2.6%	0.2%
Total Appropriations	\$68,950,927.00	\$30,037,188.61		100.0%

The culture/recreation category has within it the Parks and Recreation department, responsible for 7.2% of total appropriations. Economic environment category is reflected by the Housing and Community Development department and is responsible for a very minor 0.2% of all appropriations. The General Government category has within it several departments, Town Administrator (2.7%), Budget and Finance (1.8%), Debt Service (7.9%), Contingencies (1.9%), Town Clerk (1.8%), Human Resources (2.3%), and Development Services (9.5%). Public Safety has both Police (Law Enforcement Services 33.9%) and Fire (Fire Protection Services 22.4%) departments within it. The Transportation category is composed of the Public Works (8.4%) department.

The non-expended appropriations for the month ending March 31, 2004 are \$4,438,275 or 6.4% below anticipated expenditures for this portion of the fiscal year. Of course this will change with additional expenses transferred to Public Works, and as additional seasonal costs begin to occur. Attached hereto for your perusal is a detailed report of expenditures (Exhibit B).

Conclusion

This analysis indicates the Town's revenues are less than estimated by about \$1 million as described earlier. From this point we are assuming the balance of revenue estimates meet projections within the discussion of this report. Further, the review of

expenditures depicts some savings in current appropriations through the period of about \$4 million; however, we acknowledge that some expenditures will accelerate for the balance of the year. If we accept the premise that expenditures do not exceed the pro rata portion for the remainder of the year, this review and analysis certainly depicts that the Town should be able to meet its obligations for the fiscal year 2004.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "W. F. Underwood II", with a stylized flourish at the end.

William F. Underwood, II
Director